

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 AF-10 ARA-10 EA-10
EUR-12 NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
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TO SECSTATE WASHDC PRIORITY 9004
INFO AMEMBASSY MEXICO

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USMTN

ACTION STR

STR PASS CODEL

EO 11652: N/A
TAGS: MTN, ETRD, MX
SUBJECT: MTN: INPUT FOR U.S.-MEXICAN TRADE SUBGROUP
- MEETING, MAY 11 AND 12

1. DURING JANUARY 24, 1978 BREAKFAST IN GENEVA OF
AMBASSADOR STRAUSS AND LDC MTN LEADERS, GARRIDO SAID THAT
LDC OPENING NEGOTIATING POSITIONS IN THE MTN WERE WELL
KNOWN, AND THAT TIME HAD COME TO NEGOTIATE REALISTIC,
BOTTOM-LINE SETTLEMENTS. WHILE WE HAVE HAD CORDIAL AND
FRANK BILATERAL WORKING RELATIONS, FACT REMAINS THAT MEXICO
HAS TABLED AND DEFENDED HARD-LINE EXTREME LDC POSITIONS IN
MULTILATERAL AND PLURILATERAL MEETINGS, E.G. LIBERTY TO
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SUBSIDIZE AT WILL AND EXEMPTION FROM COUNTERVAILING DUTIES,
EXEMPTION FROM DC SAFEGUARD ACTIONS, ETC. (DELAY IN
RATIFYING BILATERAL TROPICAL PRODUCTS AGREEMENT IS CASE IN
POINT.) WITH ONLY SOME 50 WORKING DAYS REMAINING IN MTN
TIMEFRAME FOR REACHING SUBSTANTIVE POLITICAL SETTLEMENTS,
TIME HAS COME FOR MEXICO TO INDICATE ITS SPECIFIC CONTRI-
BUTIONS AND INTENTIONS CONCERNING ADHERENCE TO NTM CODES AS

WELL AS GATT ACCESSION. MEXICAN TACTIC OF DELAYING DECISION ON GATT MEMBERSHIP "PENDING RESULTS OF FRAMEWORK GROUP NEGOTIATIONS" IS RAPIDLY BEING OVERTAKEN BY EVENTS. MEXICO APPEARS TO BE POSITIONING ITSELF FOR A "FREE RIDE" IN THESE NEGOTIATIONS AS IT ENJOYED IN THE SIX EARLIER ROUNDS OF TRADE NEGOTIATIONS.

2. US TRADE POLICY HAS FOR SOME TIME FAVORED MEXICO'S GATT ACCESSION, IF MEXICO IS WILLING TO ADAPT ITS TRADE POLICIES TO BASIC GATT PRINCIPLES. ASSUMING THIS IS STILL POSITION OF STR AND WASHINGTON AGENCIES, RECOMMEND US DEL MAKE THE CASE DURING SUBGROUP MEETING FOR MEXICAN ACCESSION TO GATT. DELEGATION SHOULD DISABUSE MEXICAN OFFICIALS, HOWEVER, THAT US IS WILLING TO "PAY" FOR MEXICAN ACCESSION VIA NEW MTN TRADE CONCESSIONS.

3. FOLLOWING ARE AMONG POINTS THAT COULD BE MADE RE VALUE TO MEXICO OF ACCEDING TO GATT:

-- INCREASED SECURITY OF 30 YEARS OF TARIFF CUTS BY US AND OTHERS FOR WHICH MEXICO HAS PAID NOTHING

-- PROSPECT OF FURTHER SIGNIFICANT CUTS IN MTN WHICH WILL IMPROVE MEXICAN ACCESS TO US AND OTHER DC MARKETS, INCLUDING REDUCTION OF PREFERENCE MARGINS NOW ENJOYED WITHIN EC AND LIMITED OFFICIAL USE

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EC-EFTA.

-- THREAT OF PROTECTIONISM IS REAL, AND IN OWN SELF-INTEREST, MEXICO SHOULD SEEK TO GET A DEGREE OF MULTILATERAL PROTECTION FOR ITS EXPORT INTERESTS, RATHER THAN BASING ITS POLICY ON HOPE THAT US AND OTHERS WILL INDEFINITELY GIVE MEXICO MFN TREATMENT IN ABSENCE OF A CONTRACTURAL (RECIPROCAL) OBLIGATION TO DO SO.

-- PRINCIPAL BENEFITS OF CODES WILL ACCRUE TO SIGNATORIES, AND IT IS NOT YET CLEAR TO US IF NON-GATT MEMBERS WOULD BE ABLE TO UNDERTAKE OBLIGATIONS IN THE CODES.

-- MEXICO AS A GATT CP WOULD HAVE A VOICE IN CONTINUING EVOLUTION OF TRADE POLICY IN THE FORUM THAT MAKES THE RULES.

4. US MTN DEL REALIZES THERE ARE RISKS IN ADOPTING A FAIRLY TOUGH STANCE WHICH COULD POSSIBLY SCARE OFF MEXICO FROM A

LOW-TO-MODERATE LEVEL OF PARTICIPATION IN THE OUTCOME OF THE NEGOTIATIONS, BUT -- AS WITH BRAZIL -- GIVEN THE REMAINING TIMEFRAME AND IMPORTANCE OF MEXICO TO THE US FOR A SUCCESSFUL MTN OUTCOME, WE BELIEVE THE POTENTIAL HIGHER LEVEL OUTCOME WARRANTS A HIGHER LEVEL OF RISK.

5. FOLLOWING PARAGRAPHS SUMMARIZE MEXICAN POSITIONS IN VARIOUS MTN GROUPS:

(A) TARIFFS - DISCUSSION OF SPECIFIC TARIFF REQUESTS AND U.S. OFFERS EXPECTED TO BE HELD IN GENEVA WEEK OF MAY 1 WITH MEXICAN TECHNICAL TEAM. RESULTS OF THAT MEETING SHOULD PROVIDE FURTHER BASIS FOR DISCUSSION IN MEXICO CITY. HOWEVER, MEXICO WILL PROBABLY NOT BE IN POSITION TO DISCUSS FULLY U.S. MARCH 23 INDICATIVE LIST OF NON-AGRICULTURAL TRADE INTERESTS IN MEXICO, AS NEW LIST ADDED 52

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LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
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PRODUCTS AND DELETED 12 OF THE 31 PRODUCTS NOTIFIED TO MEXICO NOVEMBER 1, 1977. (SEE GENEVA 3406, FOR SUMMARY OF PRELIMINARY REVIEW OF U.S. OFFER WITH MEXICAN DEL.)

MEXICO CAN BE EXPECTED TO CLAIM AS A CONTRIBUTION TO THE MTN RECENT ELIMINATION OF PRIOR IMPORT LICENSING ON A LARGE NUMBER OF PRODUCTS (COMBINED WITH TARIFF INCREASES TO PARTIALLY OFFSET EFFECT OF LIBERALIZED LICENSING).

(B) AGRICULTURE - MEXICO HAS NOT BEEN ACTIVE IN THE THREE GROUP AGRICULTURE SUB-GROUPS ALTHOUGH IT IS INTERESTED IN INCREASED EXPORTS OF FRESH BEEF TO THE U.S. MARKET, WHICH ARE CURRENTLY SUBJECT TO VOLUNTARY EXPORT RESTRAINTS. MEXICO'S PRINCIPAL AGRICULTURAL INTERESTS IN THE MTN APPEAR TO BE IN THE U.S. MARKET ON FRESH FRUITS AND VEGETABLES. MEXICAN MTN DEL CONTINUES TO AWAIT POSSIBLE US OFFERS ON THEIR AGRICULTURAL REQUESTS. (SEE GENEVA 6016).

(C) TROPICAL PRODUCTS - U.S.-MEXICAN TROPICAL PRODUCTS AGREEMENT CONTINUES OF INTEREST TO OTHER MTN DELEGATIONS. LIMITED OFFICIAL USE

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MEXICANS SHOULD BE URGED TO RATIFY AGREEMENT ASAP. (SEE PARA. 4, GENEVA 5515).

(D) NON-TARIFF MEASURE CODES.

(1) STANDARDS - MEXICO HAS DEMONSTRATED A HIGH INTEREST IN THE NEGOTIATIONS OF THE DRAFT STANDARDS CODE, AND HAS ACTIVELY PARTICIPATED IN ALL THE INFORMAL GROUP MEETINGS. THIS INTEREST PROBABLY STEMS FROM THE STRONG FEDERAL STANDARDS ORGANIZATION NOW OPERATING IN MEXICO. THE PRIMARY INTEREST IN THE NEGOTIATIONS HAVE BEEN FOR SPECIAL AND DIFFERENTIAL TREATMENT (S&D) FOR LDC'S. IN PARTICULAR, MEXICO HAS BEEN PRESSING FOR TECHNICAL ASSISTANCE TO DEVELOPING COUNTRIES, S&D IN THE DISPUTE SETTLEMENT MECHANISM, AND DEROGATIONS FOR LDC'S FROM CERTAIN OF THE CODE'S OBLIGATIONS.

2) GOVERNMENT PROCUREMENT - MEXICO HAS BEEN ACTIVE IN THE DISCUSSIONS IN GOVERNMENT PROCUREMENT AND HAS PARTICIPATED IN SOME INFORMAL MEETINGS. THEIR INTEREST STEMS FROM THE FACT THAT THEY VIEW GOVERNMENT PROCUREMENT AS AN INTEGRAL PART OF THEIR ECONOMIC DEVELOPMENT PROGRAM. AGAIN, MEXICO'S PRIMARY INTEREST HAS BEEN FOR S&D TREATMENT FOR LDC'S TO ALLOW DOMESTIC AND INTER-LDC PURCHASING PREFERENCES. AT THE MARCH 1978 SUB-GROUP MEETING THE MEXICAN DEL INDICATED THEIR WILLINGNESS TO COORDINATE DRAFTING OF S&D PROVISIONS FOR THE PROCUREMENT CODE.

3) SUBSIDIES/CVD - AT THE APRIL 1976 SUBGROUP MEETING ON SUBSIDIES/CVD, MEXICAN DEL (GARRIDO) TABLED A LENGTHY STATEMENT OF MEXICO'S POSITION (MTN/NTM/W/43/ADD.3). ON THE COUNTERVAILING DUTY SIDE, MEXICO IS STRIVING FOR RECOGNITION OF THE GENERAL PRINCIPLE OF LDC EXCEPTION FROM

CVD'S. HAVING SAID THIS, HOWEVER, MEXICO HAS ALSO SUGGEST-
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ED DETAILED PROCEDURES FOR IMPOSING COUNTERVAILING DUTIES,
INCLUDING USE OF MATERIAL INJURY CRITERIA, CONSULTATIONS,
AND MULTILATERAL SURVEILLANCE BODY. FURTHERMORE, THEY
SUGGEST THAT CVD INVESTIGATIONS NOT BE INITIATED AGAINST
AN LDC BY REASON OF MERE PRESUMPTION OF "THREAT OF INJURY".
ON THE SUBSIDIES SIDE, THEIR STARTING POINT IS, AGAIN,
RECOGNITION OF THE GENERAL PRINCIPLE THAT LDC'S CAN GRANT
SUBSIDIES OF ANY KIND IN THE CONTEXT OF THEIR DEVELOPMENT
AND INDUSTRIALIZATION POLICY. THEY HAVE ALSO DEMONSTRATED
A HIGH INTEREST IN HAVING DEVELOPED COUNTRIES ACCEPT TIGHT
RULES ON SUBSIDIES SO THAT LDC'S WOULD NOT BE FACED WITH
"RUINOUS COMPETITION" EITHER IN DC MARKETS OR IN THIRD
COUNTRY MARKETS. MEXICO HAS BEEN WILLING TO FOCUS ON A
NUMBER OF DC PROPOSALS (INCLUDING CANADA, EC AND US) FOR
NEGOTIATIONS, BUT HAS INSISTED THAT S&D PROVISIONS FOR
LDC'S BE EXAMINED AT THE SAME TIME THAT THE GENERAL RULES
ARE DISCUSSED. MTN DEL HAS RECENTLY BRIEFED GARRIDO
(GENEVA 05515) ON THE STATE OF PLAY IN THE SUBSIDIES
NEGOTIATIONS. IN PARTICULAR, US DEL STRESSED THAT S&D
TREATMENT IS A DIFFICULT TOPIC TO DISCUSS WITHOUT KNOWING
THE OBLIGATIONS THAT DC'S ARE WILLING TO ACCEPT IN THIS
AREA.

4) LICENSING - MEXICO HAS BEEN ACTIVE IN DISCUSSIONS ON
LICENSING AND HAS SENT THEIR EXPERT TO GENEVA FOR THE
NUMEROUS SUBGROUP MEETINGS ON THIS TOPIC. MEXICO AGAIN
HAS BEEN PRESSING FOR SPECIAL PROVISIONS TO TAKE INTO
ACCOUNT THE NEEDS OF DEVELOPING COUNTRIES. HOWEVER, IN
THIS AREA THE PRIMARY US OBJECTIVE IS TO GAIN OPEN, FAIR,
AND EFFICIENT LICENSING PROCEDURES IN DEVELOPING COUNTRIES,
AND THEREFORE IT IS NOT HELPFUL TO HAVE S&D DEROGATIONS
IN THE LICENSING TEXTS. GIVEN MEXICO'S CONTINUED
LIBERALIZATION OF ITS' LICENSING SYSTEM, WE CAN HOPE THAT
IT WOULD BE MORE CONSTRUCTIVE IN THIS EXERCISE IN THE
FUTURE.

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5) CUSTOMS VALUATION - MEXICO HAS BEEN SITTING ON THE

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SIDELINES PENDING THE OUTCOME OF THE EC PROPOSAL ON CUSTOMS VALUATION. HOWEVER, MEXICO HAS INDICATED THAT THEY WERE BEGINNING CONVERSION TO THE BRUSSELS DEFINITION OF VALUE, BUT HAVE STOPPED THIS WORK TEMPORARILY TO CONSIDER THE POSSIBILITIES WHICH MAY EMERGE FROM THE VALUATION NEGOTIATIONS IN GENEVA.

E) FRAMEWORK - MEXICO HAS BEEN ONE OF THE 4-5 MOST ACTIVE LDC DELEGATIONS IN FRAMEWORK DISCUSSIONS AND (IN INFORMAL SESSIONS AT LEAST) AMONG THE MORE "REASONABLE." OFFICIALLY, ITS APPROACH IS ONE OF A NON-GATT MEMBER SEEKING THOSE SUBSTANTIVE AND PROCEDURAL IMPROVEMENTS IN THE GATT SYSTEM WHICH WOULD MAKE ITS MEMBERSHIP THEREIN MORE APPROPRIATE. IN INFORMAL DISCUSSIONS TO DATE, MEXICANS HAVE ADMITTEDLY DISPLAYED "A LATIN LEGALISTIC PREDISPOSITION" FOR A COMPREHENSIVE ENABLING CLAUSE FOR S&D; SUPPORTED VARIOUS DISPUTE-MANAGEMENT PROPOSALS WHICH WOULD GIVE SPECIAL ADVANTAGES TO LDCS INVOLVED IN DISPUTES BUT ADMIT THAT A BALANCED, EQUITABLE SYSTEM SHOULD PROVIDE LIMITED OFFICIAL USE

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GREATER SECURITY AND "VISIBILITY" TO SMALLER COUNTRIES; AND RECOGNIZED THE NEED FOR IMPROVED PROCEDURES FOR DEALING WITH BALANCE-OF-PAYMENTS TRADE MEASURES. MEXICO STRONGLY

OPPOSES ANY PRECISE FORMULATIONS DEALING WITH "GRADUATION" (WHILE RECOGNIZING THE POLITICAL NECESSITIES UNDERLYING THE CONCEPT) AND HAS RESISTED DEVELOPMENT OF PROCEDURAL DISCIPLINES IN THE AREA OF EXPORT CONTROLS.

F) SAFEGUARDS - MEXICO HAS FOLLOWED MTN SAFEGUARDS DISCUSSIONS CLOSELY, CIRCULATING A PAPER IN 1976, (MTN/SG/W/10) ADVOCATING AS A GENERAL PRINCIPLE THAT LDC'S BE EXEMPT FROM DC SAFEGUARD ACTIONS, AND PRESUMABLY, NOW SHARES LDC CONCERN WITH EC ADVOCACY OF NON-CONSENSUAL SELECTIVITY. MEXICAN DEL HAS NOT HAD HIGH PROFILE ON THIS SUBJECT, HOWEVER, DUE PARTIALLY TO BASIC DILEMMA OF NOT BEING GATT MEMBER, HENCE NOT CREDIBLE ON HOW TO AVOID OBLIGATIONS IT HAS NOT YET ASSUMED.

6. GENERAL - MEXICAN MTN DEL (DELGADO) INDICATED HERNANDEZ AND GARRIDO WOULD APPRECIATE RECEIVING COPIES OF CLINE'S BOOK "TRADE NEGOTIATIONS IN THE TOKYO ROUND: A QUANTITATIVE ASSESSMENT" IF COPIES WERE AVAILABLE FOR DISTRIBUTION BY US DEL.

7. DRAFTED BY MEXICO TEAM. CULBERT

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Message Attributes

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